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25X1

27 June 73



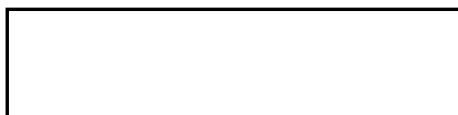
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Cease-Fire Developments

DIA and DOS review(s) completed.

25X1



Top Secret

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25X1

27 June 1973

25X1

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Cease-Fire Developments

25X1

CONTENTS

27 June 1973

NORTH VIETNAM. 1

Trouble for Reconstruction

SOUTH VIETNAM. 2

New Government Road-Clearing Operations

CAMBODIA 3

The Military Situation

NORTH VIETNAM

25X1

Trouble for Reconstruction

North Vietnamese trade officials reportedly indicated recently that production, transportation, and labor problems are frustrating reconstruction efforts. Some of the most serious problems, they said, were extensive destruction of industrial facilities, continuing disruption in the transportation system, insufficient numbers of skilled, energetic workers, and the lack of a comprehensive reconstruction plan. The officials said that the economy was unlikely to recover sufficiently to meet both domestic needs and desired export levels by late 1973 or early 1974. The current economic situation is preventing them from offering any significant amounts of traditional exports or making either short- or long-term export commitments.

In general this assessment appears to be fairly accurate. Although reconstruction is beginning to take shape with aid from Communist allies, experience in the post-1968 period suggests that recovery will require two to three years of concentrated effort to reach earlier economic levels. During this time exports probably will follow in priority the more important tasks of domestic reconstruction.

25X1

25X1

27 June 1973

-1-

SOUTH VIETNAM

25X1

New Government Road-Clearing Operations

The South Vietnamese apparently have launched two road-clearing efforts east and northeast of Saigon. The chief of Phuoc Tuy Province told the US consul general at Bien Hoa yesterday that South Vietnamese regular and territorial forces would begin an operation on 27 June to clear some 20 miles of Route 2 between Duc Thanh District capital and Xuan Loc in nearby Long Khanh Province. In Phuoc Long Province, local military authorities have informed a US defense attache that a South Vietnamese Army battalion on 25 June clashed with the Communists along Route 14. The Communists held major segments of both roads prior to the January cease-fire, and although South Vietnamese forces have since tried intermittently to reimpose government control, the Communists have prevented any military use of the highways.

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27 June 1973

CAMBODIAThe Military Situation

Communist insurgents early on 27 June drove a small group of government defenders from the town of Phaav, located on Route 6 some 30 miles north of Phnom Penh. A two-battalion government relief force on the highway just south of Phaav has made little progress in the past several days. Route 6 has now been cut for over a week and supplies of rice and other goods may soon run low at the provincial capital of Kompong Cham. To the west, the rice convoy that was headed down Route 5 for Phnom Penh has returned to Battambang City because of uncertainty over the security of the road south of Kompong Chhrang. West of Phnom Penh, Communist units continue to harass government positions near Kompong Speu, on Route 4, but convoys are still scheduled to travel the highway on 29 June.

25X1

27 June 1973

-3-